



Improving importance-performance analysis: The role of the zone of tolerance and competitor performance. The case of Taiwan's hot spring hotels



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H I G H L I G H T S

- Proposed a model for evaluating service quality based on the competitive zone of tolerance.
- Building an analytical framework for prioritizing quality improvements of quality attributes.
- Reducing measurement bias, position crosshair placement, and determine market position.

A R T I C L E I N F O

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A B S T R A C T

Importance–performance analysis (IPA) is a valuable and popular approach for prioritizing improvements to the quality of services. Despite its simplicity, shortcomings in the analytical framework remain: (a) its application is hindered by measurement bias; (b) it requires a crosshair placement mechanism to enhance the reliability of managerial interpretations; (c) it does not account for differences between the characteristics of quality attributes; (d) it ignores the relative performance of competitors in the competitive marketplace. Since all of these issues have important managerial implications, this work proposes a model for evaluating service quality based on the competitive zone of tolerance by benchmarking against competitors, and then constructs an analytical framework referred to as “CZIPA” (competitive ZOT service quality based IPA) for prioritizing quality improvements of quality attributes to resolve these above issues. The case of a Taiwanese hot springs hotel is presented to demonstrate the implementation of the proposed CZIPA. The results of this case study demonstrate the feasibility and effectiveness of the determination of priorities of attributes for improvement using CZIPA, enabling hotel managers to achieve a competitive advantage.

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1. Introduction

Approximately 6.1 million inbound travelers visited Taiwan in 2011. The major recreation activities of these visitors were shopping (82.76%), visiting night markets (73.99%), visiting historical sites (36.26%), visiting lakes (29.97%), and visiting hot springs (27.07%) (Taiwan Tourism Bureau, 2012a). Hot spring tourism also represents 5.2% of the leisure activity of domestic tourists (Taiwan Tourism Bureau, 2012b). Visiting hot springs has recently become the fastest growing activity for both Taiwanese residents and overseas visitors, attracting the interest of managers in the hot springs hotel sector. However, the market for hot

spring hotels in Taiwan is already saturated (Tseng, 2009). Consequently, too high product homogeneity and intense market competition make it difficult for management to distinguish their operations from the other market participants in order to expand their market share. From a hotel managerial perspective, maintaining market share and increasing profitability are the major impetuses of improving hotel service quality (Gržinić, 2007), highlighting the importance of evaluating the perceptions and expectations that consumers have toward the service quality of hot spring hotels.

Besides accurately evaluate customer perceptions of service quality, managers attempting to develop an effective strategy with limited resources must also prioritize the service attributes to be improved (Parasuraman, Zeithaml, & Berry, 1997). Following their development of SERVQUAL, Parasuraman, Zeithaml, and Berry (1991) proposed the zone of tolerance of expectation (ZOT).

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Derived from the concept of multiple expectations, ZOT asserts that service performance that customers deem acceptable may fall into a range and can provide insight into customer perceptions toward managers (Johnston, 1995). Despite the fact that some researchers have utilized this concept in the evaluation of service quality (Nadiri & Hussain, 2005; Santos & Boote, 2003; Yap & Sweeney, 2007), the application of this concept to evaluate and improve perceived service quality remain issues of research (Walker & Baker, 2000). One major concern is that the method for accessing service quality must still be verified. Another concern is the application of ZOT for evaluating the priority of improving the service quality of the attributes (Hu, 2010).

Importance–performance analysis (IPA) is the conventional means of prioritizing attributes to improve service quality (Bacon, 2003). While consisting of two dimensions and four quadrants based on evaluations of performance and importance of the attributes, IPA is an effective means of prioritizing attributes (Sampson & Showalter, 1999). Despite the simplicity of IPA, its applicability has certain limitations (Matzler, Bailom, Hinterhuber, Renzl, & Pichler, 2004). For instance, no definitive standard is available for setting the range of horizontal and vertical axes, measurement scale, and placement of the crosshairs (i.e. vertical and horizontal lines) in IPA. Measurement bias and placement of the crosshairs both influence the quadrant of the IPA plot to which the service attributes fall into, subsequently affecting the reliability of decisions in terms of improving service quality (Oh, 2001; Taplin, 2012a). IPA is also limited in that it considers only its own performance and disregards the relative performance of competitors in a competitive marketplace (Keyt, Yavas, & Riecken, 1994), making it impossible for a business to recognize its market share and ultimately diminishing their competitive edge. Therefore, several scholars have suggested further clarifying the fundamental applications of IPA to evaluate service quality (Matzler, Sauerwein, & Heischmidt, 2003; Walker & Baker, 2000). Above concerns regarding IPA must be addressed to enhance its applicability, leading to the development of appropriate managerial strategies based on service quality evaluation results.

Many scholars have claimed that gap analysis based on the relative performance concept can eliminate measurement bias and address the crosshair placement issue (Fallon & Schofield, 2006; Smith & Costello, 2008; Taplin, 2012a; Tongue & Moore, 2007). This concept is also applicable to evaluate and determine the best improvements of performance by benchmarking against the service levels of competitors, allowing businesses to gain a competitive edge (Keyt et al., 1994; Taplin, 2012a). Furthermore, from a resource allocation perspective, all service attributes do not need to achieve or even exceed the service desired by customers. When making certain improvements are prohibitively expensive or when other strategic considerations are incorporated, certain service attributes may need only to outperform competitors. Therefore, by using IPA and ZOT as a framework and by comparing the service performances of competitors, this work presents a novel method for evaluating service quality attributes and prioritizing the attributes for improvement, called “competitive ZOT service quality based IPA” (CZIPA). Based on the competitive ZOT (CZOT) concept, the proposed model provides a framework for comparing the service performances, addressing the issues of measurement scale, measurement bias, and crosshair placement. Moreover, in addition to providing a framework for prioritizing strategies more efficiently, the proposed model offers a theoretical foundation for future works that attempt to extend the applicability of ZOT and IPA concepts. This work also provides business managers with an effective analytical approach for evaluating and enhancing service quality.

2. Literature review

2.1. Hot spring hotels in Taiwan

Taiwan has several hot springs island-wide, each one with various chemical properties in the water. Each hot spring region has its own unique features that arise from the local geological formation. As a major recreational alternative island wide, hot spring tourism may become the most representative recreational activity for both local residents and overseas visitors (Chen, Hsu, & Tzeng, 2011). Its recent importance has received considerable interest in the hot spring hotel sector (Chen et al., 2011). A rapid increase in the number of hot spring reflects the strong market demand, with a wide range of service quality among them (Hsieh, Lin, & Lin, 2008). Located near hot springs, hot spring hotels allow visitors to enjoy the hot springs, as well as provide lodging, food services and social activities (Chen et al., 2011). Hot spring hotels differ from ordinary hotels and resorts, mainly in bathing-related services in the hot springs (Hsieh, 2007).

2.2. Quality of service provided by hotels

Quality is regarded as the capacity to satisfy the stated and implied requirements of customers (Lin & Su, 2003). Service quality has gradually been recognized as a key factor in gaining competitive advantage and retaining customers (Callan & Kyndt, 2001). The hotel industry often encounters two obstacles. First, few reliable and effective methods are available for evaluating perceived quality in the hotel industry. Second, these methods fail to recognize which factors that customers consider important and when they should best evaluate their hotel experience. Theoretical frameworks have subsequently been developed, along with various methods devised to measure the service quality of various hotel types (Akbaba, 2006; Callan & Kyndt, 2001; Ekinci, Prokopaki, & Cobanoglu, 2003; Juwaheer, 2004; Tsang & Qu, 2000). Besides providing several perspectives on hotel service quality, these studies demonstrate that different elements of service play an important role in hotels that serve the global market. Research has also been undertaken on various aspects of the hotel industry (e.g., business hotels, resort hotels, motels, airport hotels, and convention hotels), with each one having its own unique characteristics. Some of these studies assessed how customers select accommodations (Callan & Kyndt, 2001; Choi & Chu, 2001; Lockyer, 2003). Most recent studies have provided methods for evaluating the quality of hotel service, including the SERVQUAL model (Antony, Antony, & Ghosh, 2004; Mohsin & Ryan, 2005; Tsang & Qu, 2000), Kano model (Yang, Jou, & Cheng, 2011), Decision Making Trial and Evaluation Laboratory (DEMATEL) (Tseng, 2009), analysis network process (ANP) (Hsieh et al., 2008), and importance–performance analysis (IPA) (Chu & Choi, 2000; Deng, 2007).

2.3. Importance–performance analysis (IPA)

Developed by Martilla and James (1977), IPA typically yields a two-dimensional plot with mean importance on the vertical axis and mean performance on the horizontal axis (Fig. 1). Crosshairs divide this plot into four quadrants with different managerial implications. For example, a service attribute with a lower performance and higher importance falls into the ‘concentrate management here’ quadrant, indicating that managers must devote further resources into this particular attribute to improve its performance. In addition to facilitating a matrix-based evaluation of how the quadrants differ from each other, IPA allows managers to identify areas in which they must reallocate resources (Matzler et al., 2004).

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